

ANNUAL FINANCIAL STATEMENTS

uMNGENI MUNICIPALITY

30 JUNE 2005

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GENERAL INFORMATION

MEMBERS OF THE COUNCIL

Councilor:

O J Van Heerden Bester
 N A Buthelezi
 B F Frayne
 R J Glaister
 M J Grueneberg
 K P Humphries
 T M Madlala
 M R Majola
 G S Ndlovu
 S K Pillay
 V S Sutan
 J F Symonds
 P M Passmoor
 M C Wilkinson
 J M Zondi
 M P Zondi
 N O Zondi
 S Zuma
 S A Zuma

MAYOR: Councilor M E Dladla

DEPUTY MAYOR: Councilor S M Ndlovu

AUDITORS:

Auditor General

BANKERS:

First National Bank Limited

REGISTERED OFFICE:

Municipal Offices
 HOWICK 3290

P O Box 5

Telephone: 033-2399200

Fax No. 033-2399215

MUNICIPAL MANAGER


F D VILAKAZI

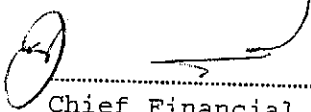
CHIEF FINANCIAL OFFICER

A J VAN DER MERWE

These Financial Statements were approved by the Municipal Manager on
 11 August 2005.

And the Council on.....


 Municipal Manager


 Chief Financial Officer



FOREWORD

It is pleasing to see that the total income amounted to R104.142.598 and total expenditure R108.894.666 leaving a surplus of R4.752.068, showing that expenditures were kept below income generated. The accumulated deficit of R11.791.858 was converted into a surplus of R4.681.735 due to the operating surplus and the transfer of funds from the Capital Development Fund.

The water and electricity losses are still a major area of concern and every effort should be made to reduce these losses to an absolute minimum. The Development Bank of Southern Africa has already committed itself to assist uMngeni Municipality in this regard.

Furthermore the increase in debtors outstanding is also a major concern and the Municipality is exploring all avenues to address this challenge within its limited resources bearing in mind the high level of poverty and unemployment. The Provision for Bad Debts amounts to R28.821.212 and irrecoverable debts will be written off in the 2005/06 financial year. The fact that no legal action could be taken against defaulting ratepayers also contributed to the increase in debtors outstanding. More detail in this regard is contained in the Chief Financial Officer's report.

uMngeni Municipality was also piloted as one of 12 Municipalities countywide as part of Project Consolidate to improve the systems in respect of the key area dealing with free basic services targeting poor households, appropriate municipal billing systems, and the reduction of municipal services debt. An amount of R2.000.000 has been allocated to uMngeni Municipality as part of the Municipal Systems Improvement Grant in the 2005/06 financial year for this purpose.

The Water and Sanitation Services will be transferred to the uMgungundlovu District Municipality during the 2005/06 Financial Year as they are the Water Services Authority.

This municipality has also implement the conditions of the Local Government, Municipal Finance Management Act, No. 56 of 2003 sooner than is required and the new multi year budgets in terms of this Act has been implemented in the 2005/06 financial year, a process that commenced in August 2004.

I would like to express my appreciation to the Executive Committee, Councillors, Municipal Manager and the staff for their support, co-operation and dedication during the year under review

A handwritten signature in black ink, appearing to read 'M E Dladla'.

M E DLADLA
MAYOR AND CHAIRPERSON OF THE EXECUTIVE COMMITTEE

CHIEF FINANCIAL OFFICER'S REPORT

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in Appendices D and E. The overall operating results for the year ended 30 June 2005 are as follows:

	2004 ACTUAL R	2005 ACTUAL R	VARIANCE %	2005 BUDGET R	VARIANCE BUDGET TO ACTUAL %
Operating income for year	88,111,009	108,894,666	23.59%	113,690,890	-4.22%
Operating expenses for year	84,940,164	104,142,598	22.61%	113,679,870	-8.39%
Surplus (Deficit) for the year	3,170,845	4,752,068		11,020	
Opening retained income	-4,649,970	-11,791,858			
	-1,479,125	-7,039,790			
Prior year adjustments	-10,312,733	11,721,526			
	-11,791,858	4,681,735			

2. CAPITAL EXPENDITURE AND FINANCING

This expenditure on fixed assets incurred during the year amounted to R 16 946 545. The actual expenditure is 16.88% of the budget. (R 16 971 510 in 2004)

	2004 ACTUAL R	2005 ACTUAL R	2005 BUDGET R
Rate & General Services	12,730,636	15,587,311	80,858,100
Trading Services	4,215,449	1,359,234	19,530,000
Public Improvement Fund & Housing	25,425	0	0
Total	16,971,510	16,946,545	100,388,100

Resources used to fund the 2005 acquisitions were as follows:

	2004 ACTUAL R	2005 ACTUAL R	2005 BUDGET R
Contributions from operating income	380,798	899,692	1,188,100
Advances from the Consolidated Capital Development Fund	1,668,481	2,081,586	14,126,000
Grants and subsidies received	7,494,948	4,786,685	3,464,000
External Loan, Endowments & Public Contributions	7,427,283	9,178,582	81,610,000
Total	16,971,510	16,946,545	100,388,100

3. EXTERNAL LOANS

External loans outstanding as at 30 June 2005 amount to R10 022 916 (R10 084 105 in 2004) as set out in Appendix B. A loan of R10 000 000 has been taken up in 2004 through the Development Bank of Southern Africa for the financing of capital projects as identified in the Council's Integrated Development Plan. Loan repayments during the year totalled R61 189.

4. INVESTMENTS

Investments as at 30 June 2005 totalled R5 945 688 and includes R676 157 New Republic Bank in Curatorship which has, as yet, not been finalised and no dividends have been received in the past year. Interest is accruing but is expected that this will not be materialised. Provision has been made for the possible loss of this investment in the amount of R 1 000 000. An investment in the amount of R 676 157 was made and ceded to DBSA to secure the loan.

5. FUNDS AND RESERVES

Appendix A reflects the status of Accumulated Funds in the amount of R54 214 996 as at 30 June 2005. The Reserves include an amount for a new valuation roll for the newly established uMngeni Local Municipality.

6. ASSESSMENT RATES

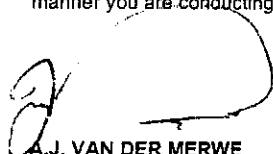
uMngeni Municipality has rated the previously unvalued properties in the municipal area and has been challenged in the High Court. The case by the Applicant was dismissed with costs but the Applicant was granted an Interim Relief to only pay 25% of the amount levied until the Appeal Court will make a ruling. Various individual ratepayers have also challenged the rates levied for the 2004/05 financial year and the High Court will make a judgement on 24 August 2005 in this regard. These ratepayers were also granted an Interim Relief that the municipality can not take any legal action for the 2004/05 rates levied until judgement has been issued. This resulted in the non-payment of rates from many ratepayers, hence the increase in debtors.

7. GENERAL

The rising level of arrear debtors is a serious concern. To this end, efforts are presently being focussed on debt collection. Legal actions have been postponed by the High Court until judgement is expected in August 2005. The Council has not written off any bad debts in this financial year and the Provision for Bad Debts amounted to R28 821 212. The Council has appointed a further two Debt Collection Companies together with the one appointed in 2003 to deal with credit control & debt collecting. It is envisaged that irrecoverable debts will be written off in the 2005/06 financial year. Debtors include Capital Debtors for which grant funding has not been received at 30 June 2005 as well as Water, Sanitation & Environmental Health Services outstanding from the uMgungundlovu District Municipality and the Worldview Final Distribution Account owed by Msunduzi Municipality. This amounts to R11 451 356 and the non payment hereof is in total contradiction of Section 97 of the Municipal Finance Management Act, No. 56 of 2003.

8. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Speaker, Members of the Executive Committee, Councillors, Municipal Manager and the Directors for the support they have given me since the commencement of my duties of Chief Financial Officer on 1 January 2002. In particular I would like to thank my staff for their assistance and support because without them I would have failed. To the Auditor-General and his staff, also a big thank you in the professional manner you are conducting your audit.



A.J. VAN DER MERWE
CHIEF FINANCIAL OFFICER
B.Comm. A.I.M.F.O. L.I.A.C. F.I.C.B.

ACCOUNTING POLICIES

1. Basis of presentation

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice (1992) and Report on the Standardisation of Financial Statements of Local Authorities (5th Edition, as amended).
- 1.2 the financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note three hereunder. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 the financial statements are prepared on the accrual basis:
 - Income is accrued when measurable and available for finance in the future. Certain direct income is accounted for when received, such as traffic fines.
 - Expenditure is accrued in the year it is incurred.
- 1.4 The amounts disclosed are individually rounded off to the nearest rand.

2. Consolidation

- 2.1 The balance sheet includes the Rate and General Services, Trading services and the different funds, reserves and provisions. All inter department charges are set-off against each other, with the exception of assessment rates, refuse removal, electricity water, which are treated as income and expenditure in their departments.

3. Fixed Assets

3.1 Fixed Assets are stated:

- at historical cost, or
- at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation.

While they are in existence and fit for use, except in the case of bulk assets, which are written off at the end of their estimated life as determined by the Chief Financial Officer.

3.2 Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this Provision assets are written down over their estimated useful life. Apart from advances from the various internal funds, assets may also be acquired through:

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

- 3.3 all net proceeds from the sale of fixed property are credited to the Public Improvement Fund. Net proceeds from the sale of all other assets are credited to the Capital Development Fund.
- 3.4 Capital assets are financed from different sources, including external loans, operating income, contributions and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.
4. Funds and Reserves
 - 4.1 Capital Development Fund

The Local Authorities Ordinance No. 25 of 1974, requires a minimum contribution of 3.0 percent of Revenue income of a local authority for the financial year be paid into the fund. 50% of the interest earned from the internal advances and investments is credited to the Rate and General Services and Trading Services operating income.
 - 4.2 Public Improvement Fund

The Local Authorities ordinance No. 25 of 1974, stipulates that this fund be maintained in respect of all property belonging to the Municipality, which is not utilized for a specific purpose relating to the provision of services. Fifty percent of all interest earned by this Fund is credited to Rate and General Services revenue account.
 - 4.3 Trust Funds

Consists of the Museum Special Fund.
 - 4.4 Reserves

Reserves have been established for the compilation of a new valuation roll for areas not previously valued or rated as well as the compilation of a common valuation roll in terms of the Property Rates Act.
5. Provisions

Provisions are created for liabilities which are known at the date of the Balance sheet, but for which the amounts involved can not be determined with substantial accuracy.

Provision is made annually by means of a contribution from income for self-insurance, doubtful debts and staff leave. Expenditure incurred during the year is charged to the provisions account.
6. Surpluses and Deficits

Any surplus or deficit arising from the operation of the various services are retained in those services for their own use. A contribution in relief of Rates may be effected from Electricity Service to Rate and General Service. Any deficit of

the Water, Sanitation & Environmental Health Services are recovered from the uMgungundlovu District Municipality as these functions are rendered on behalf of them.

7. Treatment of administration and other overhead expenses.

The cost of internal support services are transferred to the different services in accordance with the estimated time spent and cost of facilities used, in accordance with the IMFO's Report on Accounting for Support Services (June 1980).

8. Leases Assets

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

9. Investments

Investments are shown at cost, and are invested as per the Municipal Finance Management Act, No 56 of 2003. Provision has been made for the possible diminution in the value of the investments in the New Republic Bank, which is under curatorship.

10. Income recognition.

10.1 Electricity and Water Billings

Meters on all properties are read and billed monthly. Where meters can not be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are read.

10.2 Assessment Rates

Assessment rates and water rates are levied on the total value for the property. Rebates are granted according to the zoning of the property. Further relief is granted to the aged.

11. Retirement Benefits

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by the Municipality are charged against expenditure on the basis of current service costs.

Full actual valuations are performed at least every five years. The last valuation was done on 31 March 1998.

12. Write-off of Bad Debts

Council has adopted a Credit Control and Debt Collection Policy and By-laws and after all the necessary steps or the recovery of debts have been taken a report detailing all unrecoverable debts will be considered by Council for write off against the Provision for Bad Debts.

BALANCE SHEET AT 30 JUNE 2005

00009

	Note	2005 R	2004 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES			
Accumulated funds	1	54,954,435	56,963,725
Reserves	2	54,214,996	56,383,528
		739,438	580,196
(ACCUMULATED DEFICIT)/RETAINED SURPLUS	17	4,681,735	-11,791,858
TRUST FUNDS	3	72,773	67,920
LONG-TERM LIABILITIES	4	9,852,979	10,050,828
DEPOSITS	5	2,700,338	2,004,702
		<u>72,262,261</u>	<u>57,295,317</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	43,328,538	30,805,043
LONG-TERM DEBTORS	8	482,587	491,771
		<u>43,811,124</u>	<u>31,296,813</u>
NET CURRENT ASSETS/ LIABILITIES		28,451,137	25,998,504
CURRENT ASSETS			
Stock	9	68,139,952	50,153,779
Debtors	10	0	0
Cash & Bank	10	61,231,771	38,549,987
Short Term Portion of long Term Investments	8	1,954,865	6,361
	7	7,629	6,507
		<u>4,945,688</u>	<u>11,590,924</u>
CURRENT LIABILITIES			
Provisions	11	39,688,815	24,155,274
Bank Overdraft	11	126,001	669,082
Short Term Portion of Loans	4	0	3,068,755
Creditors	12	169,937	33,278
		<u>39,392,877</u>	<u>20,384,159</u>
		<u>72,262,261</u>	<u>57,295,317</u>

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

00010

2004 Actual Income R	2004 Actual expenditure R	2004 Surplus/ (Deficit) R		2005 Actual Income R	2005 Actual expenditure R	2005 Surplus/ (Deficit) R	2005 Budget Surplus/ (Deficit) R
49,625,614	50,617,714	-992,100	KATE AND GENERAL SERVICES	67,141,320	62,431,512	4,709,808	-22,750
41,337,965	40,687,654	650,311	Community services	56,203,999	48,710,239	7,493,760	3,978,030
394,527	2,703,133	-2,308,606	Subsidised services	407,714	3,172,828	-2,765,113	-3,014,400
7,893,123	7,226,926	666,197	Economic services	10,529,606	10,548,445	-18,839	-286,320
133,447	133,447	0	HOUSING SERVICES	571,170	571,170	0	-560,320
38,351,948	34,189,003	4,162,945	TRAINING SERVICES	41,182,105	41,139,909	42,196	601,990
89,111,000	84,940,166	4,170,834	TOTAL	108,894,666	104,142,498	4,752,168	31,030
		-10,312,733	Appropriations for this year			11,731,526	
		-7,141,888	Net surplus/(deficit) for the year			16,473,543	
		-4,649,970	Accumulated surplus/ (deficit) beginning of the year			-11,791,858	
		-11,791,858	ACCUMULATED SURPLUS/ (DEFICIT) END OF THE YEAR			4,681,725	

(Refer to appendix D and E for more detail)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 R	2004 R
CASH RETAINED FROM OPERATING ACTIVITIES:		-17,685,473	17,016,402
Cash generated by operations	18	5,536,589	8,371,862
Investment income		941,935	3,770,473
(Increase)/decrease in working capital	19	-9,969,369	-3,760,884
		-3,490,845	8,381,451
Less: External interest paid		1,268,847	496,080
Cash available from operations		-4,759,692	7,885,371
Cash contributions from the State		4,786,685	7,494,948
Cash contributions from the Public		588,391	817,779
Net proceeds on appreciation of fixed assets		-18,300,857	818,304
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in Fixed Assets		16,946,545	-16,971,510
NET CASH FLOW		-738,928	44,891
CASH EFFECTS OF FINANCING ACTIVITIES:			
Increase/(decrease) in long-term Loans	20	61,189	10,033,271
(Increase)/decrease in cash investments	21	6,645,236	-12,590,924
(Increase)/decrease in cash	22	-5,967,497	2,512,762
Net cash (generated)/utilised		738,928	-44,891

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005

	2005 R	2004 R
1 ACCUMULATED FUNDS		
Capital Development Fund	26,692,146	35,503,335
Housing Development Fund	17,303,585	14,690,299
Public Improvement Fund	10,219,265	6,189,894
(Refer to appendix A for more detail)	<u>54,214,996</u>	<u>56,383,528</u>
2 RESERVES		
Valuation	739,438	580,196
(Refer to appendix A for more detail)	<u>739,438</u>	<u>580,196</u>
3 TRUST FUNDS		
Museum Special Fund	72,773	67,920
(Refer to appendix A for more detail)	<u>72,773</u>	<u>67,920</u>
4 LONG TERM LIABILITIES		
Annuity Loans	10,022,916	10,084,105
	<u>10,022,916</u>	<u>10,084,105</u>
Less: Current portion transferred to Current liabilities	169,937	33,278
Annuity Loans	<u>169,937</u>	<u>33,278</u>
	<u>9,852,979</u>	<u>10,050,827</u>
(Refer to appendix B for more detail on long term liabilities)		

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continued)

	2005 R	2004 R
5 DEPOSITS		
Electricity	1,408,654	1,084,806
Other	<u>1,291,683</u>	<u>919,895</u>
	<u>2,700,338</u>	<u>2,004,702</u>
6 FIXED ASSETS		
Fixed assets at the beginning of the year	127,865,122	111,711,916
Capital expenditure during the year	16,946,545	16,971,510
Plus: Assets written off, transferred or disposed of and appreciated during the year	<u>18,300,857</u>	<u>818,304</u>
Total fixed assets	163,112,524	127,865,122
Less: Loans redeemed and other capital receipts	<u>119,783,986</u>	<u>97,060,079</u>
Net fixed assets	<u>43,328,539</u>	<u>30,805,044</u>
(Refer to appendix C and section 2 of the Treasurer's Report for more details on fixed assets)		
7 INVESTMENTS		
Unlisted		
Long term deposit	676,157	630,419
Short and Medium term deposits	<u>5,269,531</u>	<u>11,960,506</u>
	5,945,688	12,590,924
Less: Provision for New Republic Bank write off	<u>1,000,000</u>	<u>1,000,000</u>
	<u>4,945,688</u>	<u>11,590,924</u>
Average return on Investments	5.2%	8.5 %

Section 13 of the Municipal Finance Management Act, No. 56 of 2003, requires local authorities to invest funds, which are not immediately required, in accordance with an appropriate and effective cash management and investment policy. No investments have been written off during the year.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continued)

	2005 R	2004 R
8 LONG TERM DEBTORS		
Housing loans	490,215	498,277
	<u>490,215</u>	<u>498,277</u>
Less: Current portion transferred to Current assets	<u>7,629</u>	<u>6,507</u>
	<u>482,587</u>	<u>491,771</u>

9 STOCK

Stock represents consumable stores, raw materials and finished goods.

<u>0</u>	<u>0</u>
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10 DEBTORS

Current debtors (consumer and other)		
-Electricity		
-Water	7,411,338	6,156,143
-Sewerage & Refuse	11,905,153	9,834,741
-Rentals	7,909,784	7,920,985
-Rates	70,729	37,696
Sundries	23,292,422	17,886,321
Sundry Debtors (Capital & PIF)	35,894,054	17,644,264
Current portion:-Long term debtors	3,569,503	891,048
	<u>7,629</u>	<u>6,507</u>
Amounts paid in advance (suspense)	<u>90,060,612</u>	<u>60,377,705</u>
	<u>0</u>	<u>0</u>
Less: Bad Debts Provision	<u>90,060,612</u>	<u>60,377,705</u>
	<u>28,821,212</u>	<u>21,821,212</u>
	<u>61,239,400</u>	<u>38,556,493</u>

11 PROVISIONS

Insurance costs		
Leave	93,027	190,119
	32,974	478,963

(Refer to appendix A for more detail)

<u>126,001</u>	<u>669,082</u>
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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continued)

	2005 R	2004 R
12 CREDITORS		
Capital Creditors	12,106,695	
Trade Creditors	13,925,740	8,233,154
Deposits	12,794	59,659
Unclaimed payments	3,302,805	89,771
Transitional Grant (unspent)	1,899,402	4,545,184
Debtors accounts with credit balances	212,443	1,329,240
Value Added Tax	7,763,053	6,093,873
Current portion of long term loans	169,937	33,278
	<u>39,392,877</u>	<u>20,284,159</u>

13 ASSESSMENT RATES

	Site valuations at 1 July 2004 R'000	Actual income 2005 R	Actual income 2004 R
Rateable Land	323,798,900	<u>42,982,423</u>	<u>23,327,578</u>

Valuations on land and buildings are performed every five years.
The last valuation came into effect on 1 July 1998.

The basic rate was 2,3cents in the rand on the total valuation.

Rebates were granted as follows;

Residential - 30 % plus a further 30% for pensioners with an income not exceeding R2500 per month.

Additional Agricultural properties 50 %

The State received a rebate of 20 % on their properties.

14 AUDITORS' REMUNERATION

Audit fees	<u>390,178</u>	<u>476,865</u>
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15 COUNCILLORS' REMUNERATION

Mayor's allowance	260,260	215,391
Deputy Mayor's allowance	106,262	98,787
Councillors' allowances	1,039,967	852,343
Executive committee allowances	200,546	285,063
Pension Fund contributions	45,646	98,830
Medical Aid Contributions	111,102	30,120
	<u>1,763,783</u>	<u>1,580,534</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continued)

16 FINANCE TRANSACTIONS

	2005 R	2004 R
(a) Total external interest earned or paid:		
Interest earned	500,863	797,397
Interest paid	0	0
Net external interest earned/(paid)	<u>500,863</u>	<u>797,397</u>
(b) Capital charges debited to operating account:		
Interest: External	1,268,847	496,080
Internal	1,299,031	1,508,893
Redemption: External	61,189	33,271
Internal	2,020,398	2,155,849
Total capital charges for the year	<u>4,649,465</u>	<u>4,194,093</u>

17 APPROPRIATIONS

Appropriation account		
Accumulated surplus at the beginning of the year	-11,791,858	-4,649,970
Operating surplus/(deficit) for the year	4,752,068	3,170,845
Prior year adjustments	<u>11,721,526</u>	<u>-10,312,733</u>
	<u>4,681,735</u>	<u>-11,791,858</u>
Operating account		
Capital expenditure	899,692	380,798
Contributions to:		
Provisions	7,610,000	12,228,348
Reserves	159,242	0
Housing operating account	0	0
Capital Development Fund	2,430,000	0
	<u>11,098,934</u>	<u>12,609,146</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continued)

	2005 R	2004 R
18 CASH GENERATED BY OPERATIONS		
(Deficit)/surplus for year	4,752,068	3,170,845
Adjustments in respect of:		
Previous years' operating transactions	11,731,526	-10,312,733
Appropriations charged against income:	10,939,692	12,609,146
. Capital Development Fund	2,430,000	0
. Housing Operating account	0	0
. Loan Redemption Fund	0	0
. Provisions and reserves	7,610,000	12,228,348
. Fixed Assets	899,692	380,798
. Other		
Capital Charges:		
. Interest paid:		
- to internal funds	1,299,031	1,508,893
- on external funds	1,268,847	496,080
. Redemption		
- of internal advances	2,020,398	2,155,849
- of external loans	61,189	33,271
Investment income (operating account)	-678,650	-826,969
Non-operating income:		
. Public Improvement Fund	4,181,598	0
. Provisions and Reserves	0	0
. Museum Special Fund	4,252	4,558
. Housing Development Fund	3,059,000	79,880
. Assets Appreciated	-18,300,857	818,304
Non-operating expenditure:		
. Provisions and Reserves	1,153,081	-1,365,263
Accumulated Funds	23,638,424	0
	<u>5,536,589</u>	<u>8,371,862</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continued)

	2005	2004
	R	R
19 (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/decrease in stock	0	224,786
(Increase)/decrease in debtors	-29,673,723	-14,286,032
Increase/(decrease) in Deposits	695,636	264,695
Increase/(decrease) in creditors	19,008,718	10,035,666
	<u>-9,969,369</u>	<u>-3,760,884</u>
20 INCREASE/(DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
Loans raised	0	10,000,000
Loans repaid	61,189	-33,271
	<u>61,189</u>	<u>10,033,271</u>
21 (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENT		
Investment realised	26,645,688	28,289,827
Investment made	20,700,000	15,698,902
	<u>5,945,688</u>	<u>12,590,924</u>
22 (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance at beginning of the year	-3,068,755	-555,993
Less: Cash balance at the end of the year	2,898,742	-3,068,755
	<u>-5,967,497</u>	<u>2,512,762</u>
23 CONTINGENT LIABILITIES		
Guarantees by the nMngeni Municipality in respect of Building Society and Commercial Bank Housing Loans for officials.	307,628	340,778
	<u>307,628</u>	<u>340,778</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continued)

	2005 R	2004 R
24 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	45,828,864	
Approved but not yet contracted for 2006-2008	99,525,134	100,388,100
	<u>145,353,998</u>	<u>100,388,100</u>
 This expenditure will be financed from:		
-Internal sources	54,759,748	20,578,100
-External sources	90,554,250	79,810,000
	<u>145,353,998</u>	<u>100,388,100</u>
 25 CAPITAL DEVELOPMENT FUND		
Outstanding advances to borrowing services		
Accumulated fund	26,692,146	35,503,335
Less: External investments and Debtors (Revenue)	-5,175,135	-23,804,700
(Refer to appendices A and B for more detail)	<u>21,517,011</u>	<u>11,698,635</u>
 26 PUBLIC IMPROVEMENT FUND		
Outstanding advances to borrowing services		
Accumulated fund	10,219,265	6,189,894
Less:	9,717,880	-5,593,904
Capital outlay	94,605	-96,334
Sundry Debtors	9,623,275	-5,497,570
External investments	0	0
(Refer to appendices A and B for more detail)	<u>501,385</u>	<u>595,990</u>
 27 HOUSING DEVELOPMENT FUND		
Accumulated fund	17,303,585	14,690,299
Loans Redeemed & other Capital Receipts	1,443,995	1,443,995
Less:	13,130,245	-12,116,350
Unsold saleable property	12,576,929	-12,576,929
Housing Sales Debtors	482,587	498,277
Rental Debtors	70,729	-37,699
(Refer to appendices A and B for more detail)	<u>5,617,335</u>	<u>4,017,944</u>

APPENDIX A

00020

ACCUMULATED FUNDS, RESERVES AND PROVISIONS

	Balance at 30/6/2004 R	Contributions during the year R	Interest on investments R	Other income R	Expenditure during the year R	Balance at 30/6/2005 R
ACCUMULATED FUNDS						
Capital Development Fund	35,503,335	2,430,000	1,517,621		12,758,810	26,692,146
Housing Development Fund	14,690,299		132,128	2,059,000	577,842	17,303,585
Public Improvement Fund	6,189,894		149,545	4,181,598	301,772	10,219,265
	<u>56,383,528</u>	<u>2,430,000</u>	<u>1,799,295</u>	<u>7,240,598</u>	<u>13,638,424</u>	<u>54,214,996</u>
TRUST FUNDS						
Museum Special Fund	67,920		601	4,252		72,773
	<u>67,920</u>	<u>0</u>	<u>601</u>	<u>4,252</u>	<u>0</u>	<u>72,773</u>
RESERVES						
Valuations	580,196	159,242				739,438
	<u>580,196</u>	<u>159,242</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>739,438</u>
PROVISIONS						
Insurance costs	190,119				97,092	93,027
Bad Debts	21,821,212	7,000,000				28,821,212
Leave	478,963	610,000				32,974
Investment loss	1,000,000				1,055,989	1,000,000
	<u>23,490,295</u>	<u>7,610,000</u>	<u>0</u>	<u>0</u>	<u>1,153,081</u>	<u>29,947,214</u>

APPENDIX B

00021

EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Repayment Date	Interest rate %	Balance at 30/6/2004 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/6/2005 R
ANNUITY LOANS						
Various	2007	7.75-17,9	10,084,105	0	61,189	10,022,916
			10,084,105		61,189	10,022,916
TOTAL			10,084,105	0	61,189	10,022,916

INTERNAL ADVANCES TO BORROWING SERVICES	Balance at 30/6/2004 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/6/2005 R
Capital Development Fund	11,698,635	11,744,168	1,925,792	21,517,011
Public Improvement Fund	595,990		94,605	501,385
	12,294,625	11,744,168	2,020,397	22,018,396

APPENDIX C

ANALYSIS OF FIXED ASSETS

00022

Expenditure 2004 R	SERVICE	Budget 2005 R	Balance at 30/6/2004 R	Expenditure 2005 R	Written off transferred redeemed or disposed of during the year R	Balance at 30/6/2005 R
12,730,636	RATE AND GENERAL SERVICES	80,858,100	85,667,227	15,587,311	6,488,051	109,802,589
11,851,844	Community Services	68,041,100	54,849,301	14,932,693	3,859,786	73,637,780
0	Cleaning Services	120,000	233,744	0	29,797	263,541
15,787	Community Services (Admin)	18,000	15,787	4,065	0	19,852
0	Council's General	0	13,750	2,609	0	16,367
0	Health Services	825,000	1,146,593	36,384	0	1,172,877
0	Estate	0	3,263,906	0	809,140	4,223,046
993,656	Municipal Offices	2,595,000	3,735,069	3,015,604	1,218,412	9,050,065
71,565	Parks & Recreation	10,143,000	1,283,279	596,984	1,137,566	3,017,829
9,198,105	Public works	41,842,000	40,077,011	9,336,656	350,804	49,764,471
25,196	Municipal Manager	300,000	150,883	59,875	0	210,758
2,948	Corporate Services	50,000	303,493	85,835	0	389,328
149,123	Financial Services	70,000	1,577,195	78,908	0	2,056,107
121,946	Civil Protection Services	1,656,666	1,069,424	1,663,059	154,067	2,886,550
0	Transport	0	191,997	0	0	191,997
1,273,558	Planning & Development	10,521,500	1,283,158	62,814	0	1,345,972
218,070	Subsidiary Services	767,000	6,026,327	377,982	3,519,660	9,823,969
0	Cemetery	200,000	433,810	0	0	433,810
0	Civic Buildings	0	1,560,809	0	2,607,618	4,168,427
0	Fire and Emergency	0	139,116	0	0	139,116
216,149	Library	12,000	3,446,469	61,324	492,703	4,000,496
1,921	Museum	205,000	404,948	0	109,791	514,739
0	Swimming Bath	350,000	41,175	216,658	309,548	567,381
660,682	Economic Services	12,050,000	24,935,599	376,636	1,108,605	26,420,840
0	Caravan Park	0	66,685	0	130,881	197,566
0	Falls Inn Tearoom	0	316,055	0	147,945	464,000
1,882	Refuse	0	2,255,505	212,081	0	2,467,586
658,800	Sewerage	12,050,000	22,165,502	164,555	147,000	22,477,057
0	Stores	0	78,818	0	0	78,818
0	Staff Housing	0	53,034	0	682,778	735,812
5,190	HOUSING SERVICES	0	12,617,135	0	5,969,094	18,586,229
0	Economic housing	0	271,874	0	3,645,126	3,917,000
5,190	Sub-Economic housing	0	12,345,261	0	2,323,968	14,669,229
4,215,449	TRADING SERVICES	19,530,000	27,351,392	1,359,234	153,564	28,864,190
4,031,329	Electricity	4,370,000	19,810,415	1,325,852	0	21,136,267
184,120	Water	15,160,000	7,540,977	33,382	153,564	7,727,923
20,235	PUBLIC IMPROVEMENT FUND	0	2,089,368	0	3,690,148	5,779,516
16,971,510	TOTAL FIXED ASSETS	100,388,100	127,865,122	16,946,545	18,300,857	163,112,524
LESS: LOANS REDEEMED AND OTHER						
CAPITAL RECEIPTS		97,060,079	8,597,198	14,126,709	119,783,966	
Loans redeemed and advances paid		27,430,252	2,081,586	0	29,511,838	
Contributions ex operating income		4,890,327	899,692	0	5,790,019	
Grants & Subsidies		58,976,111	4,786,685	0	63,762,796	
Endowments		2,361,911	240,844	0	2,602,755	
Public contributions		3,057,815	588,391	0	3,646,206	
Township Developers		81,642	0	0	81,642	
Surplus Sale of Assets		130,052	0	0	130,052	
Miscellaneous		131,969	0	0	131,969	
Appreciation		0	0	14,126,709	14,126,709	
NET FIXED ASSETS		30,805,043	8,349,347	4,174,146	43,328,538	

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE 2005

Actual 2004 R		Actual 2005 R	Budget 2005 R
INCOME			
13,892,610	Grants and Subsidies:	9,235,026	11,184,000
7,773,400	- Central government	7,293,763	7,293,000
5,119,210	- Provincial government	2,641,263	3,891,000
75,218,400	Operating Income:	98,959,634	102,502,890
23,327,578	- Assessment Rates	42,982,423	39,800,000
25,510,035	- Sale of Electricity	21,170,945	20,499,200
14,433,467	- Sale of Water	13,037,897	17,675,000
17,446,520	- Other service charges	21,762,374	24,528,690
<u>88,111,009</u>		<u>108,894,666</u>	<u>113,690,890</u>
EXPENDITURE			
29,682,938	Salaries, wages and allowances	32,873,351	37,670,400
54,146,763	General Expenses	61,774,088	62,112,000
12,108,642	- Purchase of Electricity	12,474,231	11,900,000
11,701,092	- Purchase of Water	13,892,985	10,970,500
30,337,029	- Other general expenses	37,399,172	40,241,500
2,760,910	Repairs and maintenance	3,646,004	4,676,000
4,254,093	Capital charges	4,649,463	6,913,370
380,798	Contributions to fixed assets	899,692	1,188,100
2,502,702	Contributions	9,790,000	9,610,000
<u>93,728,204</u>	Gross expenditure	<u>113,632,598</u>	<u>123,169,870</u>
8,786,040	Less: Amounts charged out	9,490,000	9,490,000
<u>84,942,164</u>	Net expenditure	<u>104,142,598</u>	<u>113,679,870</u>

uMNGENI MUNICIPALITY

APPENDIX F

STATISTICAL INFORMATION

General statistics		2,005	2,004	2,003
Population (Estimated)		80,000	78,400	78,400
Registered voters		39,725	39,725	38,518
Area (km²)		124km²	124km²	124km²
Total valuations : Taxable (R'000)		1,754,402,689	1,612,150,834	1,137,782,234
	: Non-Taxable (R'000)	84,717,800	88,253,800	88,253,300
	: Residential (R'000)	1,350,781,234	1,227,982,959	757,042,559
	: Commercial	254,477,475	254,477,475	251,050,275
	: Government	149,143,960	129,690,400	129,690,400
Valuation date 1 July 1997				
Number of properties : Residential		2,047	0,003	7,750
	: Commercial	460	460	298
Assessment rate : Basic (per Rand)		0.023	0.023	4.97
	: Rebate (residential)	30%	30%	30%
Number of employees		344	342	339
Electricity statistics				
Units (kWh) purchased ('000)		64,212,902	64,118,807	63,075,579
Units (kWh) sold ('000)		41,807,614	45,033,353	44,685,122
Units (kWh) lost in distribution ('000)		22,405,288	19,085,454	18,390,457
Percentage lost in distribution		33	29	29
Cost per unit sold		0.19	0.19	0.17
Income per unit sold		0.50	0.35	0.34
Water statistics				
Kl purchased		5,639,926	4,528,055	3,935,563
Kl sold		3,540,692	2,863,206	2,635,381
Kl lost in distribution		2,099,234	1,664,849	1,300,182
Percentage lost in distribution		37	37	33
Cost per kl sold		260.00	2.59	2.29
Income per kl sold		4.08	3.89	4.04